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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

February 26, 2001

BY HAND

Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: CC Docket Nos. 00-256, 96-45, 98-77 and 98-166

Dear Ms. Salas:

The Independent Telephone & Telecommunications Alliance (ITTA) submits these comments in support of the comprehensive plan for access charge and universal service reform proposed by the local exchange carrier (LEC) Multi-Association Group (MAG Plan) on October 20, 2000.¹ ITTA urges the Commission to act speedily to resolve the issues raised in its *NPRM*, and adopt the MAG Plan, so non-price cap LECs may benefit from some of the regulatory certainty and flexibility that has already been afforded larger LECs.

ITTA is an organization of midsize LECs each of which, together with its affiliates, serves fewer than two percent of the nation's subscriber lines. ITTA members collectively provide local exchange and exchange access service to over nine million lines in forty states, and offer a wide variety of services to customers, as incumbents and as competitive LECs. ITTA members also offer interexchange service, commercial mobile radio services, and information services, including both dial-up and dedicated, high-speed Internet access services. ITTA's smallest member company serves just under 100,000 subscriber lines while its largest serves just over two million.

In recent years, many ITTA members have purchased local exchange assets, often in rural markets, from larger carriers. ITTA members often must invest heavily in newly

¹ See *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Notice of Proposed Rulemaking, FCC 00-448 (rel. Jan. 5, 2001) (hereinafter the "*NPRM*"). The MAG is comprised of the National Rural Telecom Association (NRTA), National Telephone Cooperative Association (NTCA), Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO), and United States Telecom Association (USTA).

acquired exchanges to upgrade neglected facilities and launch new services for the benefit of the customers in these exchange areas. Current Commission policies artificially capping the amount of federal universal service support available to a carrier purchasing such exchange assets, and requiring multiple waivers to be obtained prior to the consummation of these transactions, create uncertainty and delay that add to the cost of such transactions and disserve consumers.

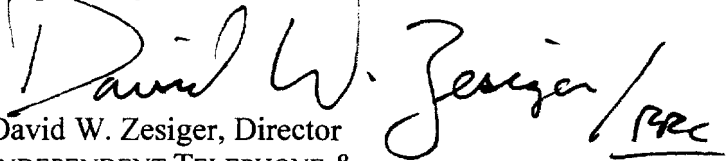
Current Commission policies also inhibit carriers from commencing the transition from cost-plus-rate-of-return regulation to incentive-based regulation, despite longstanding Commission policies favoring price caps for LECs, and despite the competitive reality they face in a great many markets. Although the Commission has had access charge reform for rate-of-return carriers under consideration for several years, ITTA members still are prohibited from moving between price cap and rate-of-return regulation, as well as from deaveraging their rates and universal service support, absent waiver of the Commission's rules. The net result is that rate-of-return carriers are laboring under inefficient pricing rules and an overly restrictive regulatory regime. They lack the flexibility to respond to competitive entry in their markets, and they lack the incentive to reach for a more forward-looking regulatory structure, because of the penalties imposed under the Commission's current all-or-nothing policies.

ITTA therefore urges the Commission to consider in earnest the MAG Plan and act now to resolve the important issues it raises. In particular, ITTA respectfully reminds the Commission of its prior conclusions that "one size" does *not* "fit all" in the LEC world. The MAG Plan embodies a flexible set of principles that would give midsize and smaller LECs the correct incentives to move to incentive regulation while permitting them to continue to acquire and serve rural exchanges cast off by other carriers. Together with the important adjustments to federal universal service support mechanisms proposed by the Rural Task Force and endorsed by the Federal-State Joint Board on Universal Service,² the MAG Plan would be a giant step toward modernizing Commission regulation of midsize and small LECs, and ITTA supports its rapid adoption.

² *In the Matter of Federal-State Joint Board on Universal Service*, Recommended Decision in CC Docket 96-45, FCC 00J-4 (rel. Dec. 22, 2000).

Please direct any questions concerning this matter to the undersigned.

Respectfully submitted,

The signature is written in black ink and appears to be "David W. Zesiger" followed by a stylized flourish or initials.

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